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AUTHOR	Sagawa, Shirley; Campbell, Nancy Duff
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ABSTRACT

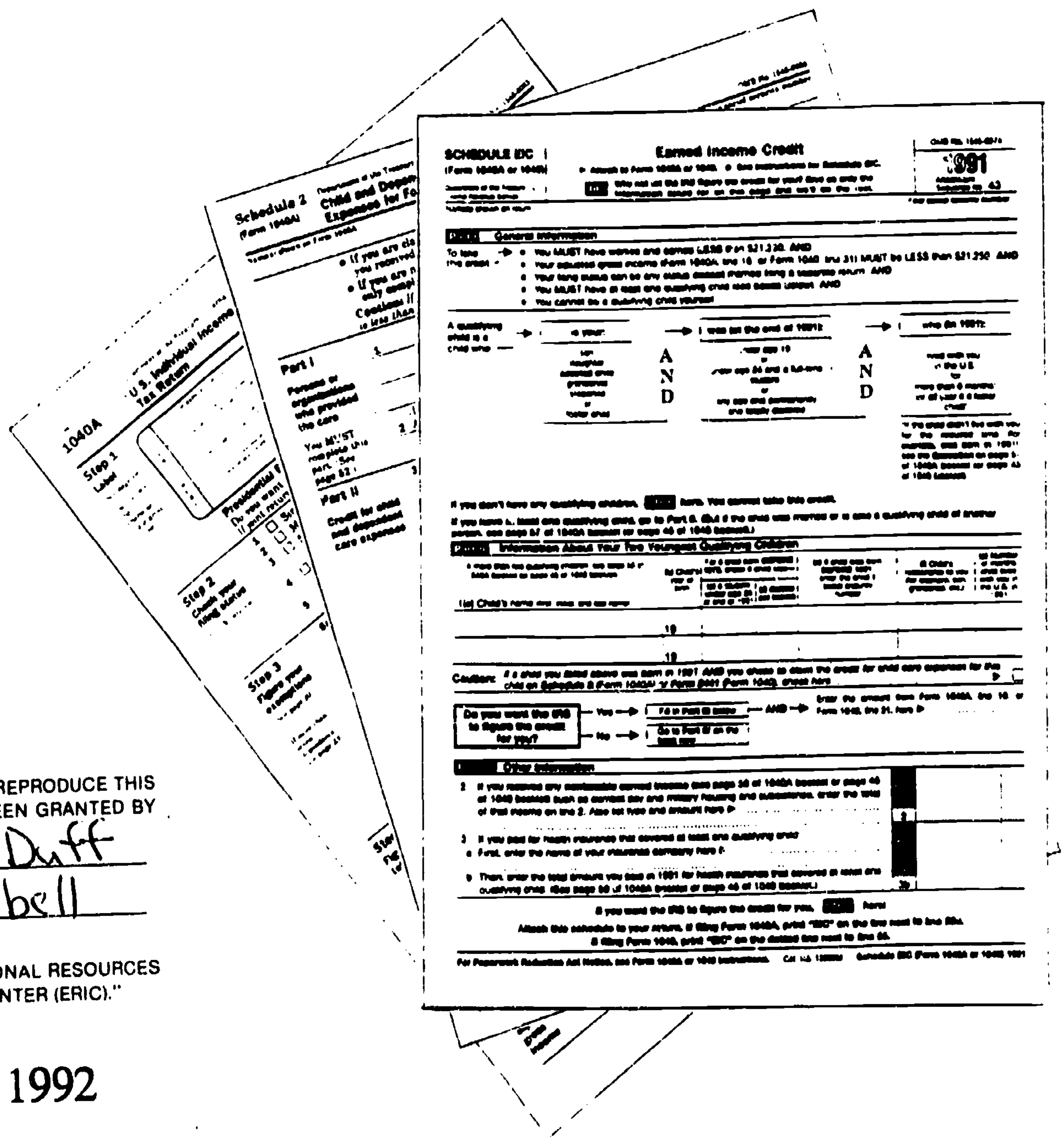
Several tax proposals before the U.S. Congress in 1992 are intended to provide relief to middle-income families. This report analyzes the key tax proposals to determine their adequacy in helping low-income families. The proposals fall into four general categories, those involving: (1) an increase in the personal exemption for dependents; (2) the creation of a credit based on payroll taxes; (3) the creation of a children's credit; and (4) modifications of child-related credits, including the earned income credit and the dependent care tax credit. In order to measure the effects of the tax proposals on low-income families with children, the implications of each proposal for two hypothetical representative families were investigated. In one family, a single mother with two children earns five dollars an hour. The other family, which also has two children, involves two parents, each of whom earns five dollars an hour. This report suggests that the primary component of tax relief should be a refundable children's credit; the earned income credit should be simplified and expanded; and the dependent care tax credit should be indexed and made refundable. Appended materials include a series of 22 questions and answers about the earned income credit and the child and dependent care credit; a list of Internal Revenue Service and other tax assistance phone numbers; and samples of a press release and newsletter article describing tax credits. (BC)

NATIONAL WOMEN'S LAW CENTER

1992 Tax Relief Proposals:

A Small Return for Women and Children

By Shirley Sagawa and
Nancy Duff Campbell



March 3, 1992

This report was prepared by Shirley Sagawa, Senior Counsel, and Nancy Duff Campbell, Co-President, of the National Women's Law Center, a non-profit, tax-exempt organization dedicated to the advancement of women through law. The report is based in part on a review and analysis of the key tax proposals prepared for the National Women's Law Center by Collette C. Goodman, Julie M. Edmond, and Amanda Berlowe of the Washington, D.C. law firm of Shea & Gardner. A detailed description of current law and the proposals is contained in an appendix to this report, prepared by Shea & Gardner.

Introduction

Tax relief for working families is high on the national agenda this year, with the recession still upon us and a presidential election ahead. As a consequence, proposals have been advanced in Congress and by the Administration to assist middle-income taxpayers. These proposals also contain, however, a variety of tax benefits to higher-income tax-payers, purportedly designed to spur private investment and boost the economy.

Despite the supposed political appeal, we are unconvinced that tax cuts of any sort should be a high priority at this time. The billions of dollars proposed to be spent -- on corporate tax breaks and reduced capital gains taxes, along with broad-based, but very limited, tax relief for working families -- could instead have a profound and targeted impact if dedicated to important domestic programs, such as child care, education, job training, and health care.

Nonetheless, we recognize that some form of tax legislation may be enacted this year, and improvements could certainly be made in the tax system to make it more equitable. Therefore, we strongly advocate that during this difficult economic time, any tax legislation adopted benefit those families most in need of help: families with children living in poverty and those at risk of falling into poverty.

Such legislation would have a significant impact on women. The wage gap between men's and women's earnings has kept women's income at approximately two-thirds that of men. Low-income single mothers and married couples with children are especially in need of help.

Although 60 percent of single mothers are in the labor force, this population is overwhelmingly poor, with an average after-tax income of just 160 percent of the poverty line. During the 1980s, the after-tax incomes of female-headed families declined significantly even though the federal tax burden on them fell. Today, single mothers have the lowest income of any group except elderly individuals living alone -- another group that is largely composed of women.

During the 1980s, low- and moderate-income married couples with children fared better than female-headed households, largely due to increased earnings of mothers when fathers' earnings declined, but this group also finished the decade worse off than when they began it. Because of expenses related to child rearing -- estimated at $100,000 per child from birth to age 18, excluding child care -- married couples with children live closer to the poverty line than taxpayers without children. Even with the large expansion in the Earned Income Credit during the 1980s, the bottom fifth of all families will have experienced an average loss in after-tax income of 10 percent between 1977 and 1992, and an estimated 28 million Americans -- including more than 15 million individuals in families with children -- will continue to live below the poverty line.

This report analyzes the key tax proposals intended to provide relief to middle-income families to determine their adequacy in assisting low-income families. These proposals fall into four general categories: an increase in the dependent personal exemption; creation of a payroll-based tax credit; creation of a new children's credit; and modification of the existing Earned Income Credit and Dependent Care Tax Credit.

Our first concern is the amount of assistance that low-income families receive under each proposal. However, we also consider whether the amount of assistance increases as income rises, so as to compare the benefits received by families in the bottom income groups to those received by families at higher income levels. Because of the cost of broad-based tax benefits, the limited resources available, and the greater need of low-income families, proposals that provide significantly more assistance to high-income families should be rejected. Finally, we take into account whether the proposal simplifies or adds to the complexity of the tax system for low-income families.

Unfortunately, few approaches succeed in helping the "middle class" without also benefiting those most well off and providing only limited -- or no -- assistance to low-income families. At least one approach -- expansion of the dependent personal exemption -- may actually exacerbate disparities between rich and poor. In fact, all of the approaches currently under consideration could be improved in various ways that would target more of their benefits to those most in need.

Rather than adopting a single existing proposal, our analysis suggests that a combination of approaches is needed. First, the primary component should be assistance in the form of a refundable children's credit, rather than a payroll credit or expanded personal exemption. The credit must be refundable in order to reach families who earn too little to pay taxes. A non-refundable credit simply reduces taxes owed -- clearly of no use if none are due -- while a refundable credit results in a refund check to these families. Second, the legislation adopted should include simplification and expansion of the Earned Income Credit to increase the ability of low-income working families to benefit from the EIC. And finally, the proposal should include a provision for indexing and making refundable the Dependent Care Tax Credit to enhance its benefits for low-income families.

In addition, consideration of other provisions of the proposed legislation and the financing mechanism are critical to assessing its overall value. For example, various "back-loaded" Individual Retirement Account proposals under consideration -- which would not provide a tax deduction for IRA deposits but would allow all interest earned in the account to be tax-free in perpetuity -- would not only benefit largely high-income taxpayers in the short-term but also would create a significant drain on the Treasury in the long term. Similarly, capital gains tax cuts -- even those targeted on taxpayers earning less than $100,000 -- would overwhelmingly benefit higher-income families. Proposals that finance tax relief for middle-income families through taxes on high earners offset at least some of the regressive effects of even the most problematic approaches. However, some proposals finance the cost of tax cuts through reductions in defense spending. Given the limited budget resources already available to reduce the deficit and increase investment in public infrastructure and human capital, we strongly oppose any use of the "peace dividend" to finance tax cuts -- especially tax cuts for the wealthy.

By adhering to the principle that if tax changes are going to be made this year, the greatest benefits should go to those most in need -- in general, low-income families with children -- Congress can best meet its goal of providing middle class tax relief <u>and</u> inject greater equity into the tax system.

To help measure the effect of various tax proposals on low-income families with children, we determined the implications of each proposal for two representative families:

- Family A is a single mother with two children, ages two and three, living below the poverty line on her salary of $5 an hour ($10,000 per year) plus Aid to Families with Dependent Children ($155 per year).[1] Under current law, this family pays $765 in Federal Insurance Contribution Act (FICA) taxes, owes no federal income taxes, and receives an Earned Income Credit tax refund of $1,384, leaving $10,774 per year or about $900 per month to live on. Family A's income places it in the bottom quintile (or bottom fifth) of all families.

- Family B is a married couple with two children, ages two and three. Each spouse earns $5 per hour or $10,000 per year for a total of $20,000. This family pays $1,530 in FICA taxes and owes $409 in federal taxes under current law, leaving $18,061 per year or about $1,500 per month for living expenses. If either spouse loses his or her job, the family will fall into poverty. Family B's income places it in the second-lowest quintile (or bottom two-fifths) of all families.

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[1] AFDC is based on Chart 7 of the materials accompanying the introduction of a proposal by Senator Albert Gore and Representative Tom Downey. It was developed by Ways and Means Committee staff based on Congressional Research Service AFDC state benefit levels. The family is also eligible for $1,870 in Food Stamps, but for simplicity of calculation, the amount of its Food Stamps has been omitted. Tax figures here and throughout the paper are for 1992, based on inflation adjustments issued by the Internal Revenue Service. The examples assume that neither family pays for health insurance or child care.

Approaches to Tax Relief for Working Families with Children

I. Increase in the Dependent Personal Exemption

Several proposals would increase the dependent personal exemption to reduce the amount of income on which the filer pays taxes. Current law will permit taxpayers an exemption of $2,300 in 1992 for each child or dependent whose income is less than the exemption amount. The exemption is phased out at high income levels, beginning at $157,900 for married couples filing jointly, $131,550 for heads of households, and $105,250 for single taxpayers, and is eliminated entirely at $280,400 for married couples filing jointly, $254,050 for heads of households, and $227,750 for single taxpayers. Both the amount of the exemption and the phase-outs are indexed for inflation.

The primary disadvantage to increasing the personal exemption is that it generally provides greater assistance to higher-income filers than to lower-income filers: because lower-income filers pay taxes at a lower rate (15 percent versus 28 percent or 31 percent), the actual value of the benefit to them is lower. Therefore, each $100 increase in the personal exemption is worth $31 to a family in the 31 percent bracket, $28 to a family in the 28 percent bracket, $15 to a family in the 15 percent bracket, and nothing to a family that already pays no taxes because its income is too low (currently about $15,200 for a family of four).

An advantage of the dependent personal exemption approach is that it provides more to families with children than to childless families (and therefore favors married couples with children over married couples without children, and head of household filers over single filers). Further, its value increases for each additional child, thereby acknowledging the incremental cost associated with childbearing.

The Administration proposal would increase the personal exemption for dependent children in 1992 by $500 from $2,300 to $2,800 per child under age 19.[2] Proposals by Representatives Frank Wolf and Patricia Schroeder would increase the personal exemption by $1,200 to $3,500 for dependent children under age 18. Senator Christopher Dodd would increase the personal exemption for the taxpayer, spouse and all dependents by 50 percent (or $1,150) for taxpayers in the 15 percent bracket and by an average of 25 percent (or $575) for taxpayers in the 28 percent bracket.

Table 1 shows the dollar value of each proposal for each of the hypothetical families. Family A, which already has no tax liability, would receive no benefit from any of the proposed increases in the personal exemption. Family B would have its tax liability reduced

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[2] Currently, families may take a personal exemption for a child under age 19 or, if the child was a full-time student, under age 24.

by $150 and $360 under the Administration and Wolf/Schroeder proposals respectively. Because the Dodd proposal increases the personal exemption for all family members, it provides the greatest benefit. Family B, instead of owing $409 in taxes would receive a refund of $281, for a net benefit of $690.

While low-income families gain little from the proposals discussed above, higher-income families generally fare well, not only because they have a tax liability sufficient to utilize the exemption, but also because their higher tax rates make the increase in the exemption worth more. Only the Dodd bill attempts to address this regressive aspect of the personal exemption approach by increasing the exemption only for families in the 15 and 28 percent brackets and, as between these families, providing the greater benefit to those in the 15 percent bracket. Other proposals provide the largest benefits to families in the 31 tax percent bracket (married couples with incomes over $86,500 and heads of household with incomes over $74,150), a significantly smaller amount to families in the 15 percent bracket (married couples with incomes up to $35,800 and heads of household with incomes up to $28,750), and nothing to families in the zero bracket. Because of this inequity, increasing the dependent exemption is an unsatisfactory approach to providing relief to families most in need.

TABLE 1

Family	A	B
Administration	$0	$150
Wolf/Schroeder	$0	$360
Dodd*	$0	$690

* The Dodd proposal also includes an $800 children's credit for children under age five, discussed in the next section. Families taking the credit for a child under five may not claim the dependent exemption for that child. The figures in the chart are the amounts the families would receive if the children's credit were not in effect. Otherwise, Family A would lose $195 from the change in the personal exemption, but gain $1,600 from the children's tax credit, for a net gain of $1,405. Family B would lose $345 from the change in the personal exemption, but gain $1,600 from the children's tax credit, for a net gain of $1,255.

II. Creation of a Payroll Tax-Based Credit

A proposal by Representative Dan Rostenkowski, passed by the House on February 27, provides increased tax assistance through a temporary refundable credit worth 20 percent of FICA taxes up to a maximum of $400 for married taxpayers filing a joint return, and a maximum of $200 for all other taxpayers.

Currently, employers withhold FICA taxes at a rate of 7.65 percent of wages up to the "wage base" ($55,500 for the Social Security component and $130,200 for the Medicare component). This rate applies regardless of an employee's income tax filing status: married couples filing jointly, single filers, and heads of household with the same income pay the same Social Security taxes.

A credit based on a percentage of FICA taxes, like the personal exemption approach, provides benefits to a broad base of taxpayers. In general, a credit is superior to a deduction or exemption because its value does not depend on the family's tax bracket. However, because FICA taxes are a flat percentage of income, the value of a FICA-based tax credit theoretically rises as income increases up to the wage base. For example, the House-passed credit, which equals 20 percent of FICA, is worth $153 for a married couple earning $10,000 and $306 for a married couple earning $20,000. To assure that the credit does not continue to increase as wages increase, however, the House proposal limits the credit to $400 for married couples filing jointly and earning $26,000 or more, and to $200 for other types of filers earning $13,000 or more.

The most appealing aspect of the House proposal is that the credit is refundable, so that families who have earnings but too little income to owe taxes will receive some benefit.[3] Its maximum credit amounts also assure that higher-income families do not get a disproportionately high benefit. The greatest defect of the proposal, however, is its failure to recognize the greater needs of families with children. Not only does it not vary based on the presence or number of children in the household, it also fails to treat heads of household the same as married couples filing jointly, despite the fact that both groups, if they have identical earnings, pay identical FICA taxes. This provision reverses progress made in the 1986 Tax Reform Act, which recognized that heads of household are closer to married couples in their circumstances than they are to singles, and accordingly increased the standard deduction for heads of household to bring it closer to that of married couples. Based on the House proposal, the married couple with two children in Family B, for example, would receive a credit of $306 while a head of household with three children and the same income would receive only $200. Family A, a head of household with two children would receive $153,[4] while a single filer with no children at the same income level would receive the same amount.

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3 However, the credit would be counted in determining eligibility for and the amount of AFDC or other federal means-tested benefits, and therefore its value to the lowest-income families is considerably diminished.

4 Indeed, depending upon the credit's effect on AFDC and other means-tested benefits, Family A might actually lose money by claiming the credit. Family A's $153 credit, for example, would result in a reduction in its AFDC benefits by an equivalent amount, leaving only $2. Therefore, at best, Family A's net gain from the House-passed bill would be zero.

The House payroll tax proposal could be improved by making it permanent, allowing heads of households to take the maximum $400 credit, and disregarding it in determining eligibility for, and the amount of, AFDC and other federal means-tested benefits. However, the proposal's failure to target increased assistance to families with children would continue to be problematic.

III. Creation of a Children's Credit

Currently, the dependent personal exemption, the Earned Income Credit and the Dependent Care Tax Credit provide some tax relief to families with child-related expenses. However, anti-poverty experts have long advocated a universal children's allowance not tied to earnings, like that found in every other industrialized democracy except Japan. The creation of a children's credit -- which is based on the number of children in the family rather than income -- would help the United States combat its widespread child poverty, much as children's allowances have significantly reduced poverty in other countries. For this reason, the bipartisan National Children's Commission last year recommended a $1,000 refundable children's credit.

Several proposals under consideration in Congress adopt the children's credit approach. Proposals by Senator Albert Gore and Representative Tom Downey, Senator Bill Bradley, Senator Lloyd Bentsen, and Senator Jay Rockefeller (based on the National Children's Commission proposal) would provide a per-child credit for taxpayers with children under age 18 (19 under the Bentsen and Rockefeller proposals). Senator Dodd's proposal also follows this approach by providing a credit for children under age five. The credits under the Gore/Downey, Bradley, Rockefeller and Dodd proposals would be refundable; the credit in the Bentsen bill would be non-refundable. None of the credits is limited to families with earned income (although the Gore/Downey credit is based on earned income for some families), and thus all are similar to a general allowance for families with children.

Most of the proposals provide a flat per-child credit amount to all families with children -- Bentsen, $300; Bradley, $350; Dodd, $800; Rockefeller, $1,000. Accordingly, except for the Bentsen proposal, which is non-refundable, all of these proposals provide significant benefits to low-income families with children -- with families with more children receiving more benefits. The Gore/Downey proposal, however, because it is tied in part to earned income, is not as valuable to the lowest-income families as its $800 maximum per child credit amount at first suggests. It provides filers with the greater of $400 per family or 20 percent of the sum of the filer's earned income plus child support, with a maximum credit of $800 per child. Hence, a family with low earnings or child support may not receive $800 per child but only $400 per family.

The value of each proposal's credit is also affected by whether the credit is in lieu of or in addition to the dependent personal exemption. Credits that replace the personal exemption are more targeted to low-income families because of the regressive nature of the personal exemption, but unless they are large enough to more than offset the loss of the personal exemption, they may not be worth as much as smaller credits that are in addition to the personal exemption. The Gore/Downey, Dodd and Rockefeller credits would replace the dependent exemption for those children for whom a credit may be claimed. The credits in the Bradley proposal and the Bentsen proposal would be in addition to dependent exemptions.

The amount of the credit, the interaction with the personal exemption, and whether or not the credit is refundable make a significant difference in the value of the credit to low-income families. Because the Bentsen credit is non-refundable, Family A would receive no benefit. Because the Dodd, Gore/Downey, and Rockefeller credits are in lieu of the dependent exemption for eligible children, the value of their credits is reduced by the value of the dependent exemption to the family. Nonetheless, the four refundable credits are well-targeted to low-income working families, and also provide some benefit to middle- and high-income families, as Table 2 demonstrates.

TABLE 2

Family	A	B
Bentsen	$ 0	$ 600
Bradley	545*	700
Gore/Downey	1,233	910
Dodd	1,405	1,255
Rockefeller	1,633	1,310

* The Bradley bill would disregard any tax refund received from its children's credit for federal means-tested benefits, except AFDC, where only half of the refund would be disregarded. If AFDC were treated as the bill treats other means-tested benefits, Family A's benefit would be $700. The Gore/Downey, Rockefeller and Dodd bills would disregard their credits for federal means-tested benefits. The Bentsen bill is silent in its effect on federal means-tested benefits, but because its credit is not refundable and many families receiving these federal benefits do not have tax liability, its benefit to these families is generally very limited.

If the best features of the various children's credit proposals were combined, the credit would be refundable and disregarded for AFDC and other federal means-tested benefits, thereby providing significant assistance to the lowest-income families with children, even if they have no earnings or income too low to owe taxes. Although the credit would receive a broad base of political support by helping all families with children and not just those who are poor, the credit would be targeted: it would not increase as income increases, and, by its nature, would assist families earning in the top fifth of taxpayers proportionately less than lower-income families and only if they have children. It would be available to single parents with children and married couples with children on an equitable basis, and families with more children would receive a greater benefit. Finally, it would increase the complexity of the tax code for low-income families only slightly, particularly if the credit is not offset against the dependent exemption. For these reasons, the children's credit approach comes closest to meeting the criteria advocated in this report.

IV. Modification of Existing Chil[illegible]lated Credits

A. Earned Income Credit

The current Earned Income Credit (EIC) is a refundable credit that provides assistance to low-income working families with children. Unlike a universal children's credit, the EIC is based on a percentage of earnings, and therefore provides less assistance to families with lower earnings than to some families earning slightly more. (The credit increases as earnings increase to $7,520, and decreases as earnings increase above $11,840). However, because it is phased out at a fairly low level ($22,370), it is targeted on those most in need. Nonetheless, the credit could be significantly improved for low-income families. Several current proposals recognize this fact and make appropriate amendments.

Child care legislation enacted in 1990 as part of the Omnibus Budget Reconciliation Act included provisions to more than double the maximum value of the credit (from $1,052 to $2,211 in 1992) and provided that the credit would be fully disregarded in determining eligibility for AFDC and other federal means-tested benefits. However, the 1990 Act also complicated the EIC, by:

- changing the calculation of the credit to a three-part process with a basic credit and two additional credits tied to health insurance expenses and presence of a child under age one; and

- requiring that parts of the credit be offset against the Dependent Care Tax Credit, employer-provided dependent care and itemized health care deductions.

The complexity that resulted from these changes is a major shortcoming of the EIC. In 1989, when the credit was simply a percentage of earnings, an estimated one out of five eligible families did not claim it. Beginning in tax year 1991, a new two-page form is required, and a complex calculation must be performed if a family wants to determine whether it does better taking, for example, the Dependent Care Tax Credit for an infant than taking the young child credit. Further, it has proven extremely difficult for a family that obtained health insurance through the work place to determine how much it paid for health insurance that covered a qualifying child -- this information does not appear on the W-2 form, and employers are not required to provide it. Currently, several national organizations, including the National Women's Law Center, are conducting campaigns to educate families eligible for the EIC on how to claim the credit. Nonetheless, it is feared that the number of families claiming the EIC will go down this year.

To address the complexity of the credit, the Gore/Downey proposal and the legislation passed by the House would eliminate the health insurance and young child parts of the credit, using the revenues saved to create a larger basic credit. Proposals by Senator Bob Packwood and Senator Jay Rockefeller would eliminate the interactions between the EIC and other provisions of the tax code, allowing families to receive their full EIC, Dependent Care Tax Credit, and itemized health care deductions. Both the Rockefeller and Gore/Downey bills would also include additional benefits for families with three or more children.

A proposal by Representative Frank Wolf and Senator Charles Grassley would replace the young child component of the credit with an expanded supplemental credit worth five percent of earned income up to $10,000 for each child under age five. Thus, for a family with one child under five, the maximum credit would be $500, for two children it would be $1,000, and so on. The credit would begin to phase out at $50,000 of income, and would not be available to families with incomes over $60,000. The Wolf/Grassley proposal retains the current EIC's complexities, requiring filers to choose between its new supplemental credit and the Dependent Care Tax Credit, and continuing to offset the health insurance component of the EIC against itemized health care deductions.

Table 3

Family	A	B
Wolf/Grassley	$1,000	$1,000
House Bill	$ 285	$ 65
Gore/Downey	$ 120	$ 132

Because the EIC is well-targeted, the Rockefeller and Gore/Downey proposals provide substantial assistance to low-income heads of household and married couples with children. The Wolf/Grassley proposal also helps these families, but expands income eligibility for the new supplemental credit considerably to include families with incomes up to $60,000. Furthermore, all of its benefits are limited to families with children under age five. The House-passed proposal does not increase the total amount of the EIC, but improves its targeting, by eliminating the parts of the credit available only to families with children under age one and families with health insurance expenses, and expanding the basic credit for families with two or more children. Although the Gore/Downey proposal also uses revenues from the health insurance and young child parts to increase the basic credit, it further expands the credit through other revenues.

Table 3 examines the value in 1992 to the hypothetical families of three of the proposals.[5] Wolf/Grassley provides significantly more to these families because all of their

[5] The Rockefeller proposal is not included as it provides no additional assistance to Families A and B, which have only two children. It would, however, provide as much as $300 to a family with three or more children. The Packwood proposal is not included as it provides no additional assistance to the hypothetical families, which have no child care or health insurance expenses. If they did, they would no longer have to choose between claiming the young child part of the EIC or the DCTC, or offset the health insurance part of the EIC against itemized health care deductions. The value of this change would depend on their child care and health care expenses, but could be as much as $444 for some families.

children are under age five, (if not, they would receive nothing). However, as the Gore/Downey credit is phased in, its value grows significantly, while the value of the Wolf/Grassley and House proposals increases only by inflation.

Table 4

Family	A	B
Wolf/Grassley	$1,158	$1,158
Gore/Downey	$ 610	$ 664
Rockefeller	$ 348	$ 169
House Bill	$ 331	$ 160

* Figures are based on 5 percent indexing per year.

When the Gore/Downey legislation is fully phased in in 1994, it will provide Family A with $165 more than under current law, and Family B with an additional $225. It will provide even greater benefits for families with three or more children, as will the Rockefeller proposal. If each hypothetical family had three children instead of two, and once the Rockefeller credit is fully phased in in 1995, the value of the benefits under each proposal is shown in Table 4.

Despite the larger amounts offered under Wolf/Grassley, the Gore/Downey approach is the most preferable. Wolf/Grassley provides a larger portion of its benefits to middle- and higher-income than to lower-income families and fails to reduce the complexity of the credit. Gore/Downey retains the credit's current targeting on low-income families, simplifies the credit, increases it for all eligible families, and, for the first time, provides additional assistance to families with three or more children (currently the maximum number of children for whom the credit can be taken is two). At a minimum, any tax bill this year should eliminate the interaction between the young child credit and the Dependent Care Tax Credit, as in the Packwood bill.

B. Dependent Care Tax Credit

The existing Dependent Care Tax Credit provides assistance to families at all income levels who have work-related child or dependent care expenses. The amount of the credit is a percentage of actual expenses incurred for care of a child under age 13 or disabled spouse or other dependent, up to $2,400 for one individual or $4,800 for two or more. The percentage ranges between 30 percent and 20 percent, with taxpayers with incomes up to $10,000 receiving the highest percentage of expenses as their credit, and taxpayers with incomes over $28,000 receiving the lowest percentage. The amount of any employer-provided dependent care must be deducted from expenses claimed under the credit, and the special form required to claim the credit is extremely complicated.

Since the Tax Reform Act of 1986, the value of the DCTC has declined substantially for low-income families. The 1986 Act provided for the indexing for inflation of all basic provisions of the Internal Revenue Code that determine tax liability except the DCTC; as a result, fewer and fewer families with incomes low enough to take advantage of the maximum credit amount have any tax liability. Because of this, and because the credit is nonrefundable, in each year since 1986 more of the credit's benefits have gone to middle- and higher-income families. For 1991, the Joint Committee on Taxation estimates that 49 percent of filers claiming the credit will have incomes between $20,000 and $50,000, 38 percent will have incomes over $50,000, and only 13 percent will have incomes under $20,000. Similarly, filers with incomes between $20,000 and $50,000 will receive 38 percent of the credit's total benefits, filers with incomes over $50,000 will receive 50 percent, and filers with incomes under $20,000 will receive only 12 percent. Unless changes are made in the credit, its value to low-income families will continue to erode.[6]

Representative Olympia Snowe has introduced a proposal, which is part of the Women's Economic Equity Act, that improves the credit to provide increased assistance to low- and middle-income families. It makes the credit refundable, thereby extending its benefits to families earning too little to pay taxes. It further helps low-income families by increasing the maximum credit from $720 ($1,440 if there is more than one qualifying individual) for families with incomes under $10,000, to $1,200 ($2,400 if there is more than one qualifying individual) for families with incomes under $15,000. The proposal helps middle-income families by phasing the maximum credit percentage down over a broader income range; thus, the income level at which the maximum credit phases down to $480 ($960 if there is more than one qualifying individual) would be $44,000 rather than $28,000 as under current law. Finally, the Snowe proposal would allow eligible dependent care expenses to include "respite care expenses" of up to $1,200 for one qualifying individual ($2,400 for more than one qualifying individual). Unlike the current credit, which is generally available only for working filers with earned income, the credit for respite care expenses would be available to non-working filers for expenses incurred to care for a disabled spouse, child or other dependent. This provision is more likely to help middle-and high-income taxpayers, because of their greater ability to afford respite care.

The Snowe proposal would provide substantial benefits to low-income families with

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6 The Dependent Care Tax Credit only helps families with employment-related dependent care expenses. Because these expenses are so high, however, these families need help in meeting them. Indeed, after food, housing and taxes, dependent care is a working family's greatest expense. Moreover, the credit recognizes the need to assure fair treatment in federal income tax policies between families who have employment-related dependent care expenses and families who do not have such expenses. Both Family A and Family B, for example, who do not have child care expenses, have a greater ability to pay taxes than families at the same income level with such expenses.

child care expenses. Assuming Family A had $1,700 in child care expenses,[7] the amount of additional benefit they would receive would be $850.[8] Assuming Family B had $1,800 in child care expenses,[9] they would receive $360 in additional benefits. At the same time, higher-income families with incomes above $44,000 would receive no additional benefits from the proposal.

Representative Snowe's proposal includes the major elements needed to improve the Dependent Care Tax Credit for low-income families -- indexing for inflation and making the credit refundable. The proposal should, however, assure that any refund provided is disregarded for federal means-tested benefit programs. The credit could be improved even further in two ways. First, the offset for employer-provided dependent care benefits could be eliminated. The offset, which was added in 1989, provides little additional revenue and makes the credit complex, a particular problem for low-income families. Second, the credit could be based on actual child and dependent care expenses, or the limit for allowable expenses could be increased, particularly for families with expenses for additional children (currently the limit is two). Either of these changes would make it possible for low-income families to receive assistance with a greater portion of their actual expenses.

Conclusion

This year, Congress has an opportunity to change the lives of millions of American families with children. As the House-passed tax bill suggests, Congress has the will to raise tens of billions of dollars to reduce capital gains taxes and provide other benefits to higher-income taxpayers, with only a restructuring of the Earned Income Credit and creation of a small temporary credit to help middle- and low-income families. If legislation is adopted this year, it should devote the bulk of its new revenue to a refundable children's credit -- along with expansion and simplification of the Earned Income Credit, and refundability and indexing of the Dependent Care Tax Credit. Such legislation would be a major advance toward a more equitable, federal income tax system and the elimination of widespread poverty of women and children.

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7 The United States Department of Labor estimates that single parents with a youngest child under age five pay 17 percent of their incomes for child care. Family A has two children under age five.

8 The Snowe proposal is silent in its refundable credit's effect on AFDC and other federal means-tested benefits. If it were not disregarded, Family A would lose $155 in AFDC benefits, for a net gain of $695.

9 The Department of Labor estimates that two-parent families with a youngest child under age five pay nine percent of their incomes for child care. Family B has two children under age five.

Questions and Answers about the Earned Income Credit and the Child and Dependent Care Credit

1. What is the Earned Income Credit?

The **Earned Income Credit (EIC)** provides up to $2,000 for working families with children and earned income of less than $21,250. There are three parts to the **EIC**: (1) The **basic EIC,** worth up to $1,192 if you have one child and $1,235 if you have two or more children; (2) The **extra credit for a child born in 1991,** worth up to $357 if you have a child born in 1991; and (3) the **health insurance credit,** worth up to $428 if you paid health insurance premiums in 1991 for a policy that covered a child.

2. Am I eligible for the basic Earned Income Credit?

To be eligible for the **basic EIC:**

> You must have 1991 "earned income" and "adjusted gross income" of less than $21,250.
>
> > Earned income includes wages, salaries, and tips, but not bank interest, social security or welfare benefits, alimony, or unemployment compensation. Adjusted gross income is the amount you enter on line 16 of form 1040A or line 31 of form 1040; *and*
>
> You must have at least one "qualifying" child. A qualifying child is a child who:
>
> > Is your son, daughter, adopted child, grandchild, stepchild, or foster child; *and*
> >
> > On December 31, 1991, is under age 19, *or* under age 24 and a full-time student, *or* any age and permanently and totally disabled; *and*
> >
> > Lived with you (in your main home in the U.S.) for more than six months in 1991. (If the child is your foster child, he or she must have lived with you for all of 1991.)

There are special rules if your qualifying child is married at the end of 1991, was born or died in 1991, or is also the qualifying child of another perso[illegible] ou are a qualifying child of another person, you are not eligible to take the credit.

3. Am I eligible for the extra credit for a child born in 1991?

To be eligible for the **extra credit for a child born in 1991:**

> You must be eligible for the **basic EIC** and have a child born in 1991. (If you take this credit, however, you will not be able to claim the **Child and Dependent Care Credit** or the **exclusion of employer-provided dependent care benefits,** discussed below, for the child born in 1991. You can still claim the **Child and Dependent Care Credit** or the **exclusion** for child care expenses for other children. See question 19, below.)

4. Am I eligible for the health insurance credit?

To be eligible for the **health insurance credit:**

> You must be eligible for the **basic EIC** and have paid health insurance premiums for a policy covering at least one qualifying child. In addition to the qualifying child, the policy may also cover you, your spouse, or any other members of your family. If your policy is through your employer, you may only take the credit for the amount of premiums *you* paid, not any amount your employer paid.
>
> Note: if you take this credit *and* you itemize your deductions, you will have to subtract the amount of your **health insurance credit** from any medical and dental expenses you claim on Schedule A, line 1 of form 1040. If you are self-employed, the amount of your credit must be subtracted from any self-employed health insurance deduction you claim on line 26 of form 1040.

5. How much can I get from the Earned Income Credit?

The amount you can get depends on your income, the number of children you have, and whether you can claim the **extra credit for a child born in 1991** and the **health insurance credit**. The following charts will give you a general idea of the amount of money the **EIC** is worth to you:

Earned Income Credit
Taxable Year 1991
Families With One Child

Earnings/ Adjusted Gross Income	Basic Credit	Basic + Credit for Child Born in 1991	Basic + Health Insurance Credit[1]	Basic + Credit for Child Born in 1991 + Health Insurance Credit
$0	0	0	0	0
$1,000	171	222	233	284
$2,000	338	439	460	561
$3,000	505	656	687	838
$4,000	672	873	914	1,115
$5,000	839	1,090	1,141	1,392
$6,000	1,006	1,313	1,368	1,669
$7,000	1,173	1,524	1,595	1,946
$7,100	1,192	1,549	1,620	1,977
$8,000	1,192	1,549	1,620	1,977
$9,000	1,192	1,549	1,620	1,977
$10,000	1,192	1,549	1,620	1,977
$11,000	1,192	1,549	1,620	1,977
$11,250	1,189	1,545	1,616	1,972
$12,000	1,100	1,429	1,495	1,824
$13,000	981	1,275	1,333	1,627
$14,000	861	1,119	1,170	1,428
$15,000	742	964	1,009	1,231
$16,000	623	810	847	1,034
$17,000	503	654	684	835
$18,000	384	499	522	637
$19,000	265	344	360	439
$20,000	146	190	198	242
$21,000	26	34	36	44
$21,250+	0	0	0	0

Earned Income Credit
Taxable Year 1991
Families With Two Or More Children

Earnings/ Adjusted Gross Income	Basic Credit	Basic + Credit for Child Born in 1991	Basic + Health Insurance Credit[1]	Basic + Credit for Child Born in 1991 + Health Insurance Credit
$0	0	0	0	0
$1,000	177	228	239	290
$2,000	350	451	472	573
$3,000	523	674	705	856
$4,000	696	897	938	1,139
$5,000	869	1,120	1,171	1,422
$6,000	1,042	1,343	1,404	1,705
$7,000	1,215	1,566	1,637	1,988
$7,100	1,235	1,592	1,663	2,020
$8,000	1,235	1,592	1,663	2,020
$9,000	1,235	1,592	1,663	2,020
$10,000	1,235	1,592	1,663	2,020
$11,000	1,235	1,592	1,663	2,020
$11,250	1,232	1,588	1,659	2,015
$12,000	1,139	1,468	1,534	1,863
$13,000	1,016	1,310	1,368	1,662
$14,000	892	1,150	1,201	1,459
$15,000	769	991	1,036	1,258
$16,000	645	832	869	1,056
$17,000	521	672	702	853
$18,000	398	513	536	651
$19,000	274	353	369	448
$20,000	151	195	203	247
$21,000	27	35	37	45
$21,250+	0	0	0	0

6. How do I claim the Earned Income Credit?

Even if you don't owe any taxes, you must file a tax return -- either regular tax form 1040 or short form 1040A -- and a new, separate Schedule EIC. You may not use form 1040EZ. Your "filing status" may be any status *except* married filing a separate return.

For the first time this year, you must file a separate form, called "Schedule EIC," with your form 1040 or 1040A. Include the amount of your credit on line 56 of form 1040 or line 28c of form 1040A. If you can provide the basic information discussed above to show your eligibility, IRS will calculate your **EIC** for you. Just fill out the first page of Schedule EIC and write EIC on line 56 of form 1040 or line 28c of form 1040A. Make sure you fill in line 54 of form 1040 or line 28a of form 1040A for federal income tax withheld.

7. I don't owe any taxes -- can I still take the Earned Income Credit?

Yes. Even if you don't owe any taxes, you may get a refund check if you file tax form 1040 or 1040A and Schedule EIC.

8. What information do I need to claim the Earned Income Credit?

To claim the **EIC**, you will need to provide a social security number for any qualifying child born before 1991. To get a social security number, contact your local Social Security Administration office -- look in the blue pages in your phone book or call the Social Security Administration's toll-free number, 1-800-772-1213. Be sure to get a receipt (Form SSA-5028) for your application for a social security number -- if the number does not come by the time you file your income tax return, you will need to write "applied for" on line 1(e) of Schedule EIC and attach a copy of the receipt (if you have one) to your tax return in order to claim the credit.

To claim the **health insurance credit**, you will have to know the name of your health insurance company and how much you paid for premiums for your health insurance policy. If the policy is through your employer, look at your pay stubs that show how much money was deducted from your paycheck to pay for the health insurance, or ask your employer to calculate the amount for you.

9. I have heard that I may get my Earned Income Credit payment in advance -- how does this work?

You can get the **basic EIC** for families with one child with your pay during the year by completing Form W-5 and giving it to your employer. You can give Form W-5 to your employer at any time during the year, but you should do so as early as possible to begin receiving benefits. If you receive advance **EIC** benefits, you must file a tax return at the end of the year. Moreover, if you are eligible for the **basic EIC** for families with two or more children, the **extra credit for a child born in 1991** or the **health insurance credit**, you will not be able to get these benefits in advance but only when you file your return. Remember also, if you elect to file Form W-5 and take the **EIC** through advance payments, the amount of any tax refund you could be eligible for at the end of the year may be lower than if you had waited to take the **EIC** when you file your return.

10. If I take the Earned Income Credit, will my AFDC, food stamps or other means-tested benefits be reduced?

No. The amount of your **EIC** will not be counted in determining eligibility for and the amount of benefits under federally funded AFDC, food stamp, SSI, Medicaid, and housing programs, as long as you spend the **EIC** amount in the month it is received or in the following month.

11. What is the Child and Dependent Care Credit?

The **Child and Dependent Care Credit** provides up to $1,440 to families who *pay* for child care in order to work.

The amount of the credit is based on your income, the number of your dependents in care, and the amount you pay for the care. Families of all income levels are eligible. In general, the higher your child care expenses and the lower your income, the larger your credit.

The maximum credit of $1,440 is available to those who have adjusted gross incomes of less than $10,000 and have high child care expenses for two or more children. Families of all income levels are eligible for a credit worth at least 20 percent of child care expenses. However, eligible child care expenses may not exceed $2,400 for one child and $4,800 for two or more children.

Note: The **Child and Dependent Care Credit** also covers care of a spouse or dependent who is incapable of caring for himself or herself. If you paid for care for such an individual, you should get more information about the circumstances under which such care is covered.

12. Am I eligible for the Child and Dependent Care Credit?

To be eligible to claim the **Child and Dependent Care Credit,** you must have:

Paid for child care in 1991 for a child under age 13 who lived with you; *and*

Needed the child care to enable you to work or look for work in 1991 (if you are married, both you and your spouse must have needed the care to work or look for work, or one spouse must have been a full-time student, or unable to care for himself or herself); *and*

Paid (with your spouse, if you are married) over half the cost of keeping up your home (rent, food, etc.); *and*

Paid less for care than the amount of your 1991 earned income. (If you are married and filing a joint return, you must have paid less for care than the amount of your earned income or your spouse's earned income, whichever is smaller. There are special rules for calculating the earned income of a spouse who was a full-time student or disabled.)

In general, you can only claim the credit for a child whom you can claim as a dependent, but there are special rules for children of divorced or separated parents.

13. What kind of child care qualifies?

Any type of child care -- in a center, a family day care home, a church, or by your neighbor, for example -- qualifies as long as you pay for the care. The care may be provided by a relative, except a spouse, dependent, or a child under age 19 at the end of 1991. If the care provider cares for more than six persons, the provider must comply with applicable state and local laws and regulations.

14. How much can I get from the Child and Dependent Care Credit?

The amount you can get depends on your income, the number of children in care, and the amount you paid for the care. The following chart sets forth the **maximum** credits for families with child care expenses of at least $2,400 for one child or $4,800 for two or more children:

Maximum Child and Dependent Care Credit Amounts
Taxable Year 1991

Adjusted Gross Income	Percent of Expenses Credited	One Child/Dependent	Two or More Children/Dependents
$ 0 - 10,000	30%	$720	$1,440
10,001 - 12,000	29%	696	1,392
12,001 - 14,000	28%	672	1,334
14,001 - 16,000	27%	648	1,296
16,001 - 18,000	26%	624	1,248
18,001 - 20,000	25%	600	1,200
20,001 - 22,000	24%	576	1,152
22,001 - 24,000	23%	552	1,104
24,001 - 26,000	22%	528	1,056
26,001 - 28,000	21%	504	1,008
28,001 +	20%	480	960

15. How do I claim the Child and Dependent Care Credit?

To take the **Child and Dependent Care Credit**, you must file a separate form or schedule with your tax return. With tax form 1040, file form 2441. With tax form 1040A, file Schedule 2. Include the amount of your credit on line 41 of tax form 1040 or line 24a of form 1040A. Note that if you were married at the end of 1991, you generally must file a joint return in order to take the credit, although special rules apply if you lived apart from your spouse.

16. If I receive employer-provided dependent care benefits, can I still take the Child and Dependent Care Credit?

Yes, but the amount of the employer-provided dependent care benefits must be subtracted from the child care expenses that may be claimed under the credit. For example, if you received dependent care benefits from your employer of $2,000 in 1991 but you paid a total of $2,400 for care, you can claim $400 in expenses under the **Child and Dependent Care Credit**. The amount of any employer-provided dependent care benefits you received in 1991 should be shown in Box 33 of your W-2 form.

17. I don't owe any taxes -- can I still take the Child and Dependent Care Credit?

No. If you owe no taxes, you cannot claim the **Child and Dependent Care Credit**. But even if you only owe a small amount of taxes, claiming the **Child and Dependent Care Credit** can increase the amount of any refund you may otherwise get, such as through claiming the **EIC**. For example, suppose you owe $100 in taxes, have a **Child and Dependent Care Credit** of $300, and an **EIC** of $1,200. If you don't claim the **Child and Dependent Care Credit**, you will pay no taxes and get an **EIC** refund of $1,100. If you claim the **Child and Dependent Care Credit**, you will pay no taxes and get an **EIC** refund of $1,200.

18. If my child has a scholarship or the government pays for my child care, can I still take the Child and Dependent Care Credit?

The **Child and Dependent Care Credit** is based on the amount of child care expenses *you pay for*. Therefore, if your child care is free to you, you will not be eligible for the credit. However, if only part of the cost of your child care is subsidized and you pay for part of the care, you can take the credit based on the actual amount you paid. For example, if your day care center charges $2,000 a year and you received a scholarship for $1,500 and paid $500, then you may take the credit based on $500 in child care expenses.

19. What is the special rule for children born in 1991?

If you have a child born in 1991 and you are eligible for both the **extra credit for a child born in 1991** under the **Earned Income Credit** and the **Child and Dependent Care Credit**, you will not be able to claim both credits *for that child*. You will need to compute your tax using both **EIC** and **Child and Dependent Care** forms to determine which credit is more beneficial for you. If you don't owe any taxes or the amount on line 40 of form 1040 or line 23 of form 1040A is zero, and you didn't receive any employer-provided dependent care benefits, you should take the **extra credit for a child born in 1991** instead of the **Child and Dependent Care Credit**. Otherwise, in general, the lower your income and the higher your child care expenses, the more likely you are to do better claiming the **Child and Dependent Care Credit**. The higher your income (up to $21,250) and the lower your child care expenses, the more likely you are to do better under the **EIC extra credit for a child born in 1991.**

Note: If you received employer-provided dependent care benefits for the child born in 1991, you *cannot* claim the **EIC extra credit for a child born in 1991**. Depending on the amount of your employer-provided benefits, however, you may be able to claim the **Child and Dependent Care Credit** for the child born in 1991. See Question 16 above.

20. What information will I need to claim the Child and Dependent Care Credit?

To claim the **Child and Dependent Care Credit**, you must know how much you spent on child care in 1991. You must also have basic information about your provider, including the provider's name, address, and, if the provider is not a tax-exempt organization, an identification number -- the provider's Social Security number or employer identification number. If you have tried to get your provider's identification number but have not been successful, you can explain on your return that you requested the information but the provider did not comply with your request.

21. Where can I get the tax forms that I need?

Many banks, post offices, and libraries carry forms. Local IRS offices also have forms. Look in the blue pages of your phone book under United States Government, Internal Revenue Service, for a phone number and address.

You may also order forms by phone by calling toll-free 1-800-TAX-FORM (1-800-829-3676). Hours are 8 a.m. to 5 p.m. weekdays and 9 a.m. to 3 p.m. Saturdays. Forms should be mailed to your home within two weeks of your call. There is no charge for this service.

22. Where can I get more information about the Earned Income Credit or Child and Dependent Care Credit?

The IRS provides a toll-free number for people who have questions about their taxes. The number is 1-800-TAX-1040 (1-800-829-1040). Some cities and states have local information numbers. Check your phone book in the blue pages under United States Government, Internal Revenue Service.

Beginning in January, many communities set up Volunteer Income Tax Assistance (VITA) centers to provide free help in preparing your tax return. Look for one in your area. You may also call IRS's "Tele-Tax" information line for recorded information. From most areas, call toll-free 1-800-829-4477 and request topic number 401 for information about the **Child and Dependent Care Credit** or topic number 402 for information about the **Earned Income Credit.** tcb\cctcoc\Q&A.tax

Where To Go For More Information About The Tax Credits Or For Other Help With Your Taxes

The IRS provides a toll-free number you can call for help with your taxes. In some areas, you can call a local number. In other areas, you must call the national number, 1-800-829-1040. To find the number to call in your area, consult the list below.

Alabama
1-800-829-1040

Alaska
Anchorage, 561-7484
Elsewhere, 1-800-829-1040

Arizona
Phoenix, 257-1233
Elsewhere, 1-800-829-1040

Arkansas
1-800-829-1040

California
Oakland, 839-1040
San Francisco, 839-1040
Elsewhere, 1-800-829-1040

Colorado
Denver, 825-7041
Elsewhere, 1-800-829-1040

Connecticut
1-800-829-1040

Delaware
1-800-829-1040

District of Columbia
1-800-829-1040

Florida
Jacksonville, 354-1760
Elsewhere, 1-800-829-1040

Georgia
Atlanta, 522-0050
Elsewhere, 1-800-829-1040

Hawaii
Oahu, 541-1040
Elsewhere, 1-800-829-1040

Idaho
1-800-829-1040

Illinois
Chicago, 435-1040
In area code 708,
1-312-435-1040
Elsewhere, 1-800-829-1040

Indiana
Indianapolis, 226-5477
Elsewhere, 1-800-829-1040

Iowa
Des Moines, 28[illegible]523
Elsewhere, 1-800-829-1040

Kansas
1-800-829-1040

Kentucky
1-800-829-1040

Louisiana
1-800-829-1040

Maine
1-800-829-1040

Maryland
Baltimore, 962-2590
Elsewhere, 1-800-829-1040

Massachusetts
Boston, 523-1040
Elsewhere, 1-800-829-1040

Michigan
Detroit, 237-0800
Elsewhere. 1-800-829-1040

Minnesota
Minneapolis, 644-7515
St. Paul, 644-7515
Elsewhere, 1-800-829-1040

Mississippi
1-800-829-1040

Missouri
St. Louis, 342-1040
Elsewhere, 1-800-829-1040

Montana
1-800-829-1040

Nebraska
Omaha, 422-1500
Elsewhere, 1-800-829-1040

Nevada
1-800-829-1040

New Hampshire
1-800-829-1040

New Jersey
1-800-829-1040

New Mexico
1-800-829-1040

New York
Bronx, 732-0100
Brooklyn, 596-3770
Buffalo, 685-5432
Manhattan, 732-0100
Nassau, 222-1131

New York
Queens, 596-3770
Staten Island, 596-3770
Suffolk, 724-5000
Elsewhere, 1-800-829-1040

North Carolina
1-800-829-1040

North Dakota
1-800-829-1040

Ohio
Cincinnati 621-6281
Cleveland, 522-3000
Elsewhere, 1-800-829-1040

Oklahoma
1-800-829-1040

Oregon
Portland, 221-3960
Elsewhere, 1-800-829-1040

Pennsylvania
Philadelphia, 574-9900
Pittsburgh, 281-0112
Elsewhere, 1-800-829-1040

Puerto Rico
San Juan Metro Area,
766-5040
Isla, 766-5549

Rhode Island
1-800-829-1040

South Carolina
1-800-829-1040

South Dakota
1-800-829-1040

Tennessee
Nashville, 259-4601
Elsewhere, 1-800-829-1040

Texas
Dallas, 742-2440
Houston, 965-0440
Elsewhere, 1-800-829-1040

Utah
1-800-829-1040

Vermont
1-800-829-1040

Virginia
Richmond, 649-2361
Elsewhere, 1-800-829-1040

Washington
Seattle, 442-1040
Elsewhere, 1-800-829-1040

West Virginia
1-800-829-1040

Wisconsin
Milwaukee, 271-3780
Elsewhere, 1-800-829-1040

Wyoming
1-800-829-1040

Phone Help for Hearing Impaired People With TDD Equipment.
All areas in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico:
1-800-829-4059

Hours of Operation:
8:00 A.M. to 6:30 P.M. EST (Jan. 1-April 4)
9:00 A.M. to 7:30 P.M. EDT (April 5-April 15)
9:00 A.M. to 5:30 P.M. EDT (April 16-Oct. 24)
8:00 A.M. to 4:30 P.M. EST (Oct. 25-Dec. 31)

You may also call IRS's "Tele-Tax" information line for recorded information. From most areas, call toll-free 1-800-829-4477 and request topic number 401 for information about the **Child and Dependent Care Credit** or topic number 402 for information about the **Earned Income Credit.**

Beginning in January, many communities set up Volunteer Income Tax Assistance (VITA) clinics to provide free help in preparing your return. To find out where the VITA Clinics are located in your area, call the regional IRS taxpayer education staff person in the area closest to you listed below.

Central Region
Mary Bell
(513)684-3823

Cincinnati
Carolyn Davis
(513)684-2828

Cleveland
Magdalene Arti
(216)522-3414

Detroit
Mary Tomala
(313)226-3674

Indianapolis
Beverly Smith
(317)226-6543

Louisville
Debbie Campbell
(502)528-6259

Parkersburg
Teresa Post
(304)420-6612

Mid-Atlantic Region
Betty Moss
(215)597-5695

Baltimore
Joan McLean
(301)962-2222

Newark
Marianne Pinto
(201)417-4075

Philadelphia
Gerri Seravalli
(215)597-0512

Pittsburgh
Beverly Flowers
(412)644-6504

Richmond
Lynda Schedler
(804)771-2289

Wilmington
John Lenik
(302)573-6270

Hato Ray
Gloria Gelebert
(809)498-5946

Midwest Region
Geri Mikos
(312)886-5681

Aberdeen
Gwen Gross
(605)226-7230

Chicago
John Hilbert
(312)886-4609

Des Moines
Frances Colston
(515)284-4870

Fargo
Mitzi Adrian
(701)239-5105

Helena
Joan Christnacht
(406)449-5375

Milwaukee
Marcia Corcoran
(414)297-3302

Omaha
Esther Guertin
(402)221-3501

St. Louis
Cindy Grass
(314)539-3660

St. Paul
John Wise
(612)290-3320

Springfield
Sonya Jacobs
(217)492-4386

North-Atlantic Region
Bill Joubert
(617)565-8173

Albany
Kimberly Zarenski
(518)472-3636

Augusta
Nancy Dutton
(207)622-8328

Boston
Martha Clapp
(617)565-1645

Brooklyn
Sheryl Pattilo
(718)780-4000

Buffalo
J. Chris Keefe
(716)685-8328

Burlington
Lorriane Laba
(802)860-2089

Hartford
Mike O'Reilly
(203)240-4149

Manhattan
Thomas Quigley
(212)264-3310

Portsmouth
Ann Saad
(603)433-0519

Providence
Janice Moore
(401)528-4276

Southeast Region
Lynne Lovelace
(404)331-7006

Atlanta
Mary Lucas
(404)331-3808

Birmingham
Pat Cargile
(205)731-0403

Columbia
Joyce Robbins
(803)253-3031

Fort Lauderdale
Phyllis Lamoreux
(305)424-2439

Greensboro
Eugina Tabon
(919)333-5620

Jackson
Anita Garrison
(601)965-4142

Jacksonville
Bea Harding
(904)791-2514

Little Rock
Laveta Dixon
(501)378-5685

Nashville
Holly Rutzky
(615)736-2280

New Orleans
Darleen Conlin
(504)589-2801

Southwest Region
Jackie Rollins
(214)308-1715

Albuquerque
Laura Criel
(505)766-2537

Austin
Pamela Kurburski
(512)499-5439

Cheyenne
Lee Weirauch
(307)772-2325

Dallas
Elsa Franzoi
(214)767-1428

Denver
Jon Schwartz
(303)844-3340

Houston
Jo Kuffel
(713)541-7610

Oklahoma City
Jane Schmitt
(405)231-4989

Phoenix
Laura Lopez
(602)379-3861

Salt Lake City
Esther Anderton
(801)524-6095

Wichita
Sharon Wurl
(316)291-4445

Western Region
Naomi Fleer
(408)291-4445

Anchorage
Helen Sullivan
(907)271-6231

Boise
Kim Boyack
(208)554-9153

Honolulu
Sheila Kawai
(808)541-3329

Laguna Niguel
Judith Mills
(714)643-4060

Las Vegas
Connie Solazzo
(702)455-1029

Los Angeles
Christopher Orozco
(213)894-4574

Portland
Steve Matthews
(503)326-6565

Sacramento
Jackie Parker
(916)978-4083

San Francisco
Carrie Lawrence
(415)273-4233

San Jose
Fannie Davis
(408)291-7114

Seattle
Linda Hawkins
(206)553-4230

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[SAMPLE PRESS RELEASE]

For immediate release
[DATE]

Contact: [INSERT NAME]
Phone: [INSERT PHONE #]

Raising a child takes love. Understanding. Patience.

And money.

That's why the [INSERT NAME OF YOUR ORGANIZATION], in conjunction with the National Women's Law Center, is launching a Child Care Tax Credits Outreach Campaign in [INSERT NAME OF CITY OR REGION].

Last year, Congress significantly expanded tax assistance for working families with children. Billions of dollars in refund checks or lower tax bills are available for these families -- but only if they file tax returns and take the credits.

This year, families are eligible for an **Earned Income Credit** of up to $2,000 if they earn up to $21,250 a year and have one or more qualifying children. They are also eligible for a **Child and Dependent Care Credit** of up to $1,440 if they have child care expenses for one or more children under age 13 and pay for child care in order to work.

The goal of the Campaign is to make sure eligible families know about the credits, and know where to go for more information. In [INSERT NAME OF CITY OR REGION] families may obtain free tax help by contacting [INSERT LOCATION OF VITA CLINICS, IF AVAILABLE] or by calling toll-free 1-800-TAX-1040 or [INSERT LOCAL IRS NUMBER].

Poster and flyers, attached, call attention to the tax credits and will be distributed through local child care and children's organizations.

For more information about the Campaign, please contact [INSERT NAME OF ORGANIZATION, CONTACT PERSON, AND PHONE NUMBER].

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[NOTE: ATTACH COPY OF FLYER]

[SAMPLE NEWSLETTER ARTICLE]

Raising a child takes love. Understanding. Patience. And money.

No one likes to think about taxes. But this year, a little planning may mean big savings at tax time for millions of working families. In the fall of 1990, Congress passed a major new child care bill that promises to put billions of dollars in tax assistance into the pockets of low-income families with children.

As a result of the child care legislation, working families who have children and income up to $21,250 may be eligible for an expanded Earned Income Credit consisting of the following components:

- A **basic credit worth** up to $1,192 for families with one child and $1,235 for families with two or more children;

- A **health insurance credit** worth up to $428 for families with expenses for health insurance coverage that includes a child; and

- An **extra credit for a child born in 1991** worth up to $357 for families with a child under age one.

Even if you don't owe taxes you may be eligible for a refund check simply by claiming the Earned Income Credit on your tax return.

In addition to the expanded Earned Income Credit, families of all income levels may still claim the Child and Dependent Care Credit to offset a percentage of their child care expenses. The maximum credit is $1,440 for families earning less than $10,000 who have child care expenses for two or more children. Families who earn more than $10,000, have child care expenses for only one child, or child care expenses of less than $2,400 per child receive less assistance.

If you find all of these child-related tax credits confusing, you are not alone. That's why, with the help of [YOUR ORGANIZATION], the National Women's Law Center has launched the Child Care Tax Credits Outreach Campaign, designed to help working families with children obtain the billions of dollars in increased tax assistance.

Look for posters and flyers based on the "Raising a child..." theme that are being distributed nationwide by major children's organizations. Both the poster and flyer were designed to make parents aware of the two tax credits, and urge them to get more information. In [YOUR COMMUNITY], contact [INSERT LOCATION OF VITA CLINICS, IF AVAILABLE] or call toll-free 1-800-TAX-1040 or [INSERT LOCAL IRS NUMBER]. For more information about the Child Care Tax Credits Outreach Campaign, contact the National Women's Law Center, 1616 P Street, NW, Washington, DC 20036.